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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE

July 25, 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street N.W., Room 222
Washington, D.C. 20054

Re: CC Docket No. 95-116, Number Portability

Dear Mr. Caton:

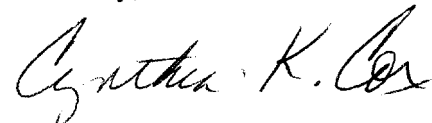
On Friday, July 25, 1997, Mr. Robert Blau, Mr. Ernest Bush, Ms. Linda Lancaster, Mr. Bill Shaughnessy and the undersigned of BellSouth met with Mr. Richard Metzger, Mr. Neil Fried, Mr. Glenn Reynolds, Mr. Len Smith, and Mr. Steven Teplitz of the Common Carrier Bureau regarding the above noted docket.

During this meeting, we discussed BellSouth's alternative position for recovery of number portability costs including jurisdictional and timing issues. The attached document served as the basis for our discussion.

Two copies of this notice are filed in accordance with Section 1.1206(a)(1) of the Commission's rules.

Please call me with any questions on this matter.

Sincerely,



Cynthia K. Cox

cc: Richard Metzger (w/o attachment)
Neil Fried (w/o attachment)
Glenn Reynolds (w/o attachment)
Len Smith (w/o attachment)
Steven Teplitz (w/o attachment)

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Cost Recovery for Local Number Portability

BellSouth

7/25/97

BellSouth

FCC's Principles of Competitive Neutrality

- Any cost recovery mechanism “should not have a disparate effect on the ability of competing service providers to earn a normal rate of returns on their investment.” (*CC Docket 95-115, First Report & Order , Para 135*)
- A “competitively neutral” cost recovery mechanism should not give one service provider an appreciable, incremental cost advantage over another service provider, when competing for specific subscriber.” (*CC Docket 95-115, First Report & Order , Para 132*)

“The cost of establishing telecommunications numbering administration arrangements and number portability shall be borne by ***all telecommunications carriers*** on a ***competitively neutral*** basis as determined by the Commission.” (Section 251(e)(2) of 1996 Act).

Costs Necessary for LNP

TYPE I: Costs of Installing & Administering Regional NPAC

+

TYPE II:

Carrier Specific Direct Costs

=

Total LNP Costs



- LNP requires both Type I & Type II costs to be successful.
- There is no reason to distinguish Type I and Type II costs for cost recovery purposes.

What Are the Drivers of Type II Costs ?

LNP is a new call processing paradigm ...

- Which results in a new architecture for call completion that requires:
 - Capacity requirements (e.g. switch processors, SS7 links, LNP SCPs)
 - Intelligence to complete call (e.g. switch software, AIN software development)
 - Ability to exchange data between networks (e.g. NPAC SMS, provisioning & repair gateway)
- Requires *fundamental* changes to existing administrative/support systems (e.g. Billing, provisioning, ordering and maintenance)
 - To date forty-two (42) systems are being redesigned; Expectations are more will follow.

BellSouth's Type II Costs Include

- Equipping end offices switches with LNP software,
- Upgrading switch processors,
- Establishing a local SMS,
- Modifying & adding SS7 network links,
- Modifying SCPs necessary for LNP,
- Capacity enhancements to STPs
- Modifying Line Information Data Bases (LIDB)
- Modifying Operator Services switches
- Modifications to make legacy support systems LNP capable. ***BellSouth has identified over 42 systems that will require modifications for LNP.***
- Developing an electronic communications interface for service provider to service provider communications,
- Testing LNP in our labs, on an intra-network basis and on a inter-network basis
- Costs associated with advancement, due to LNP, of a planned network addition,
- Costs of performing switch translations,
- Costs of database look-ups (DIPS) for non-LNP capable networks,

BellSouth's Initial LNP Cost Recovery Position

- BellSouth supports SBC's original cost recovery proposal for LNP:
 - Allocation of costs based on “elemental access lines” (EAL)
 - Equitable distribution of costs across carriers;
 - Administratively simple;
 - National fund based on mandatory, temporary, uniform “EAL” surcharge

BellSouth's Alternative LNP Cost Recovery Position

- Type I & Type II costs reported to a national administrator and amortized over a 3-5 year period;
- The nationwide costs for LNP split into two components: an interstate portion and an intrastate portion--similar to Universal Service;
- Carriers funding to the interstate costs based on their percentage of nationwide interstate revenues.
- Carriers funding to the intrastate costs based on their percentage of nationwide intrastate retail revenues.
- Interstate assessment would be given exogenous treatment and recovered through charges to carriers in the interstate jurisdiction.
- The intrastate portion of costs would be recovered from the state jurisdiction;
- After the amortization period has expired, any LNP charges would be eliminated.
- Carriers will be allowed to assess other carriers a per query charge for default queries.

FCC Guidelines to States on LNP Cost Recovery

- FCC should clearly define “competitively neutral” and indicate that all telecommunications carriers should participate in LNP cost recovery;
- FCC should clearly specify which costs are eligible to be included as Type I & Type II costs;
- States should be given adequate latitude to develop the precise cost recovery mechanisms for carriers under their jurisdiction;
 - Cost recovery for CMRS carriers should remain at interstate level;
- FCC should specify that intrastate LNP costs qualify for exogenous treatment

FCC Guidelines to States on LNP Cost Recovery (Cont):

- FCC should specify that for states with Phase I & Phase II MSAs (*For example, in BellSouth's region: Florida & Georgia*), a cost recovery mechanism should be in place by 6/30/98.
 - Remaining states should have cost recovery mechanism in place prior to the start date of the quarter when state's initial MSA is scheduled for LNP.
- FCC should clearly specify that LNP cost recovery should be viewed as temporary and fully recoverable over a 3-5 year time period.

Summary

- Cost recovery solution must be competitively neutral;
 - Each carrier bearing its own costs is not competitively neutral;
- Cost recovery solution must include Type I & Type II costs;
- National fund based on mandatory, temporary, uniform “EAL” surcharge still most competitively neutral;
- Cost recovery based on Universal Service Model is also competitively neutral:
 - FCC must give guidelines to states for cost recovery of intrastate portion;